# GOVERNMENT OF INDIA
# FINANCE
# LOK SABHA

STARRED QUESTION NO:431
ANSWERED ON:31.03.2017
Effect of Demonetisation on Stock Markets and Banks
Adsul Shri Anandrao ;Yadav Shri Dharmendra

**Will the Minister of FINANCE be pleased to state:**

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA
STARRED QUESTION NO. *431
TO BE ANSWERED ON 31ST MARCH 2017/10TH CHAITRA SAKA, 1939

EFFECT OF DEMONETISATION ON STOCK MARKETS AND BANKS

*431. SHRI DHARMENDRA YADAV:
SHRI ANANDRAO ADSUL:

QUESTION
Will the Minister of FINANCE be pleased to state:
(a) whether the Government is aware of the adverse effects of demonetisation leading to decline in profits of companies, stock markets and losses by the banks and if so, the details thereof;

(b) whether the Government has made any assessment of the extent of losses as a result of demonetisation; and

(c) if so, the details thereof along with the corrective steps taken by the Government in this regard?

## Answer

ANSWER

FINANCE MINISTER
(SHRI ARUN JAITLEY)

(a) to (c): A statement is laid on the table of the House.

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STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO. 431 RAISED BY SHRI DHARMENDRA YADAV & SHRI ANANDRAO ADSUL, HON'BLE MEMBERs OF PARLIAMENT FOR REPLY ON 31ST MARCH, 2017

Demonetisation seeks to create a new 'normal' wherein the GDP would be bigger, cleaner and real. This exercise is part of the Government's resolve to eliminate corruption, black money, counterfeit currency and terror funding. This exercise has resulted in an increase in deposits with banks. This will facilitate reduction of interest rates and provide more headroom to banks to expand their credit base. A surge in deposits led to a sharp expansion in the consolidated balance sheet of scheduled commercial banks and created large surplus liquidity conditions. An important consequence of demonetisation has been the sharp increase in the use of digital transactions. Further, the movements of stock indices and share price, inter-alia, depend on economic factors, domestic and international events, market sentiments, corporate performance and perception of future economic growth. The stock market capitalizes the present and future values of growth opportunities while evaluating the growth of all sectors in economy.
As per the quarterly estimates released by the Central Statistics Office, the growth rate of Indian economy is estimated to have remained at 7.0 per cent in the third quarter (Q3) of 2016-17. The Economic Survey 2016-17 observes that demonetisation has the potential to generate long-term benefits in terms of reduced corruption, greater digitalization of the economy, increased flows of financial savings, and greater formalization of the economy, all of which could eventually lead to higher GDP growth, better tax compliance and greater tax revenues.
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